

Message Text

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ACTION EA-12

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C O N F I D E N T I A L MANILA 13532

E.O. 11652: GDS
TAGS: ETRD, RP, EINV
SUBJECT: US/RP ECONOMIC BILATERALS -- SUTER TELLS VEGA WHAT
U.S. BUSINESS REALLY THINKS

REF: MANILA 13358

1. GEORGE SUTER OF PFIZER TOLD ACTING E/C COUNSELOR AUGUST 30 THAT HE PLAYED TENNIS ON SATURDAY WITH HIS FRIEND WILLY VEGA AND HAD AN OPPORTUNITY TO DISCUSS US/RP BILATERAL ECONOMIC RELATIONS, SPECIFICALLY THE PROSPECTS FOR A TREATY. SUTER SAID THAT HE EMPHASIZED U.S. BUSINESS WAS INTERESTED IN INVESTMENT PROTECTION, SPECIFICALLY NON-DISCRIMINATION VIS-A-VIS FILIPINO COMPANIES AFTER ENTRY. HE CITED TWO OUTSTANDING REASONS -- THE FILTRONA CASE AND THE RECENTLY IMPOSED RESTRICTIONS ON LOCAL BORROWING.

2. SUTER POINTED OUT THAT FILTRONA (US/UK INVESTMENT) WAS PUT OUT OF BUSINESS WHEN THE COMPETING HERDIS COMPANY WAS GIVEN A LOWER TARIFF FOR IMPORTS OF ACETATE TOW FOR CIGARETTE FILTER ROD MANUFACTURING. HE TOLD VEGA FRANKLY, "DON'T EXPECT ANY TRADE CONCESSIONS FROM US WHEN THERE IS SUCH NONSENSE GOING ON." GOP APPREHENSION, AS REPORTEDLY EXPRESSED BY VIRATA, THAT THE MNC'S WOULD GOBBLE UP FILIPINO COMPANIES IS INACCURATE. IT'S THE OTHER WAY AROUND, SUTER
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SAID, GIVING VEGA RECENT NEWS REPORTS ON HERDIS BUYING OUT USI AND KOPPEL.

3. ON LOCAL PESO BORROWINGS, SUTER TOLD VEGA THAT THE ANNOUNCED PURPOSE OF THE RESTRICTIONS WAS TO MAKE CREDIT AVAILABLE TO FILIPINO COMPANIES. SUBSEQUENTLY, THE TRUE NATURE OF THE RESTRICTIONS WAS REVEALED AS GENERATING

CAPITAL INFLOW. SUTER CONCLUDED THAT WAS NOT GOING TO HAPPEN, FOR THE U.S. COMPANIES WERE ESTABLISHING 60/40 (FILIPINO/US) FINANCE COMPANIES TO PROVIDE CONSUMER AND/OR BUYER CREDIT.

4. IN FAIRNESS TO VEGA, SUTER SAID VEGA IS OUT OF THE COUNTRY FOR SO LONG THAT HE IS NOT REALLY SENSITIZED TO WHAT IS GOING ON. MOREOVER, SUTER BELIEVES THAT THE TECHNOCRATS ARE EMBARRASSED BY THE FILTRONA CASE BUT ARE TOO AFRAID TO DO ANYTHING OR EVEN TO REPORT ADVERSE REACTION TO THE PRESIDENT.

5. COMMENT: VEGA AND OTHER GOP OFFICIALS ARE FOND OF CITING THE ALLEGED AMCHAM POSITION FAVORING MFN TREATMENT OF INVESTMENT AS OPPOSED TO THE USG INSISTENCE ON "NATIONAL TREATMENT." WE HAVE TRIED TO SET THE RECORD STRAIGHT, THAT IS, BOTH USG AND U.S. BUSINESS ARE INTERESTED IN "NON-DISCRIMINATION." PLEASE SEE 76 MANILA 16965, NOVEMBER 2, 1976 AND 76 MANILA 17267, NOVEMBER 8, 1976. SUTER'S RECENT CONVERSATION WITH VEZ A FAS ANOTHER STEP IN THE RIGHT DIRECTION.
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